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DEPT PASS TO USAID AFR/SD FOR CURTIS, ATWOOD, AND SCHLAGENHAUF
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SUBJECT: NIGERIA: DAS HENGEL DISCUSSES NIGER DELTA DEVELOPMENT WITH
NNPC MANAGERS

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SENSITIVE BUT UNCLASSIFIED; BUSINESS PROPRIETARY INFORMATION; NOT
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1. (SBU) SUMMARY: The challenges of economic development in the Niger Delta was the subject of a meeting on May 21 for EEB DAS Douglas Hengel with Group General Manager for Strategy, Nigerian National Petroleum Corporation (NNPC), Dr. Timothy Okon, and NNPC Manager of the Nigerian Content Division George Osahon. The discussion centered on the six southern Delta states, referred to simply as the south-south region, i.e. Bayelsa, Rivers, Akwa Ibom, Cross River, Edo, and Delta States. The region is a low-lying land of innumerable creeks, waterways and mangrove swamps which stretch for over three hundred miles and is blessed with a variety of natural resources including abundant low sulfur oil and natural gas. Okon reported that between 1999 and 2008 governments of the southern states of Nigeria received about \$25 billion from crude oil revenues. However, the region continues to have a severe lack of basic social and economic infrastructure and widespread poverty and unemployment that contribute to the frustration currently being expressed through militancy and criminality. Okon suggested that converting the rents derived from mineral resources to human capital such as engineering, fabrication, logistics and training is the only strategy that will lead to the creation of sustainable regional wealth and reduce poverty. Okon promoted a cluster approach to development of the state and local communities. Osahon underscored how the lack of infrastructure stymies plans to kick start local economies. Osahon further lamented that the Delta is very difficult terrain which results in poor accessibility by way of transportation and that basic infrastructure development within the region costs as much as ten times more than in other parts of Nigeria. The two NNPC managers disagreed on whether government should provide higher levels of funding. End Summary.

PROBLEMS KNOWN, THE REAL QUESTION IS HOW TO MOVE FORWARD

2. (SBU) Deputy Assistant Secretary Douglas Hengel led a delegation from Washington to attend a Nigeria - U.S. Energy and Climate Roundtable. To maximize the delegation's opportunities for open dialogue, DCM hosted meetings on the margins of the Roundtable. Dr. Timothy Okon, Group General Manager for Strategy, Nigerian National Petroleum Corporation (NNPC) and former ExxonMobil Exploration

Company manager, attended a meeting with DAS Hengel and the delegation, accompanied by George Osahon, NNPC Group General Manager for the Nigerian Content Division, to discuss economic challenges in the Niger Delta. Okon described three issues negatively affecting the Niger Delta's economic prospects: alienation, lack of development, and militancy/criminality. He noted that the region's problems were well diagnosed, and the more important question was how to go forward. Engaging civil society, and promoting education and business development, he noted, are key, but lamented that nothing will happen without state and local government accountability.

13. (SBU) DAS Hengel asked Okon how he saw a successful development strategy. Okon explained that working with civil society is essential and should center on basic and vocational education, skills transfer, and business development. This strategy would provide Delta residents the ability to participate in local development projects, such as harnessing stranded/flared gas to provide power to local commercial ventures which could sustain local economies and initiate a model which could be replicated throughout the Delta region. Such projects could play an important role in resolving the region's security dilemma.

SEQUENCING IMPORTANT AS WELL

14. (SBU) Osahon noted that sequencing of any proposed projects, as described by Okon, is important. Aside from the development of commercial zones, or "clusters" as referred to by some, there is an even more pressing need for basic infrastructure to provide clean water, electricity and roads. Once this infrastructure was in place, development would come, he argued. Environmental remediation must also be part of any development program. Osahon said that this would require billions of dollars. Osahon complained about the need to engage with militants and get them behind any attempt at infrastructure or development programs. He added that a positive gesture from the federal government is crucial and argued that the

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government should provide additional funding for the region. Osahon lamented that the Delta is very difficult terrain which results in poor accessibility by way of transportation and that basic infrastructure development within the region costs as much as ten times more than in other parts of Nigeria. Okon disagreed with Osahon that development would come with centrally driven projects and additional funding; he restated that without participation from state and local authorities, development efforts would fail. Okon offered an example of two potable water projects, one successful now for twenty years and another which never broke ground because the local state authorities did not participate in the project. He further stated that when a hospital has been built it rots, because there is no money to operate the facility or sustain it everyone literally waits for someone to make it work. He recommended that oil companies offer to match funds with the state and local governments to build a hospital for the community but also provide supplies and pay the salaries of doctors and nurses to serve the local community.

ROLE FOR IOCS AND OTHER DEVELOPERS

15. (SBU) Osahon felt strongly that local communities should benefit from small local projects tied to oil/gas exploration. For example, he noted wells drilled for exploration might later be fitted with filters to provide potable water rather than simply left in an unusable and potentially dangerous state. Osahon also explained that the international oil and gas companies do not always work well with the local and state governments to coordinate community investments.

ACCOUNTABILITY IS THE ISSUE, NOT MONEY

16. (SBU) Okon noted the importance of realistic planning to ensure that project funding is maintained. Budgeting is straightforward because state-level revenues are tied to oil prices, but too often little productive is done with the money. Between 1996 and 2008 at least \$25 billion was given to the six states of the region, but there is little to show for it. Okon felt strongly that an intergenerational model needs to be implemented to ensure

incremental resource increases are channeled to the projects for which they were intended. Also, coordination with the Niger Delta Development Commission (NDDC), a GON agency, would be required and he was not sure how such plans fit with NDDC's ideas. Ultimately, all efforts would need to be linked to a Delta Master Plan. Both interlocutors noted that political will and follow-up are key to the success of any projects. Even with resources, nothing will happen without improvements in regional leadership. The problem is not simply resources, but includes accountability at the state and local level.

COMMENT

17. (SBU) It is a paradox that a region that bears so much natural wealth remains largely impoverished despite decades of oil exploration. It is clear that there needs to be political will from the GON and state and local governments and the affected communities as well as a consensus and buy-in from all to take action. Small steps and small successes can build sustainable communities. Today the deeply embedded distrust of the oil companies and the gross neglect and deprivation by the government, at all levels, over the years are significant barriers. A responsive central government would ordinarily give special developmental status and attention to such region as is done elsewhere in the world. The profitability of illegal bunkering and the criminality that support it continue instead. Frustrations, ethnic polarization and communal suspicion provide good reasons for genuine agitation for change. Currently the GON has its military moving through the Delta region clearing camps associated with bunkering and attacks on the international oil companies. Nonetheless, criminality has become a way of life for young men and women because without education and industry for job creation, a life of crime is the only way many see for going forward. Nonetheless, a "cluster approach", with communities taking ownership of new infrastructure and ground-up efforts, may have

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potential to reclaim the Delta bit by bit.

18. (U) This cable was coordinated with Consulate Lagos and cleared by State/EEB.

SANDERS